CBSE EXAMINATION PAPER-2026

BUSINESS STUDIES

(Solved)

Time allowed : 3 hours | Maximum Marks : 107

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **41 questions.** All questions are **compulsory.**

ii. This question paper is divided into **4 sections.**

iii. **Section A** – questions number **1 to 21** are multiple choice questions

iv. **Section B** – questions number **22 to 27** are short answer type i

v. **Section C** – questions number **28 to 35** are short answer type ii

vi. **Section D** – questions number **36 to 41** are long answer

vii. There is no overall choice given in the question paper. However, an internal choice has been provided in few questions.

viii. Use of calculator is NOT allowed.

Section A

Question 1. _____ serves as an intermediary between the investor and the depository who is authorised to maintain the accounts of dematerialised shares.

[1 Marks]

(A) Depository Participant

(B) National Securities Depository Limited

(C) Central Depository Services Limited

(D) Stock Exchange

Explanation: A Depository Participant (DP) acts as an intermediary between the investor and the depository. The depository holds securities such as dematerialised shares, while the DP is authorised to maintain investor accounts and facilitate transactions between investors and the depository.

Question 2.

On Raksha Bandhan, Reena received a gift from her brother. After removing the gift wrap paper, she saw a decorative cardboard box. Inside the box, she found a small glass bottle containing an expensive face cream. Both the decorative cardboard box and the glass bottle had a beautiful label displaying the brand name, ingredients, expiry date, etc.

Which level of packaging does the glass bottle represent ?

[1 Marks]

(A) Primary packaging

(B) Transportation packaging

(C) Secondary packaging

(D) General packaging

Explanation:

The glass bottle that directly contains the face cream is the primary packaging because it holds and protects the actual product intended for use. Primary packaging is the first layer of packaging that is in direct contact with the product, such as a bottle, tube, or wrapper. The decorative cardboard box around the bottle is secondary packaging, which protects the primary packaging and helps in marketing.

Question 3.

Read the following statements : Assertion (A) and Reason (R).

Assertion (A) : Holding shares in demat form is very convenient as it is just like a bank account.

Reason (R) : Securities and Exchange Board of India (SEBI) has made it mandatory for the settlement procedures to take place in demat form. Choose the correct alternative from the following :

[1 Marks]

(A) Assertion (A) is false and Reason (R) is true.

(B) Both Assertion (A) and Reason (R) are false.

(C) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(D) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

Explanation:

Holding shares in demat form is convenient because it functions similarly to a bank account where shares are held electronically, reducing the risks and paperwork of physical certificates. SEBI has made it mandatory for settlement procedures to take place in demat form to ensure safety, convenience, and transparency in trading, which directly supports the convenience described in the assertion.

Question 4.

Read the following statements carefully :

Statement I : Business environment includes both specific and general forces.

Statement II : Specific forces have an impact on all business enterprises and thus may affect an individual firm only indirectly.

In light of the given statements, choose the correct alternative from the following :

[1 Marks]

(A) Both Statement I and Statement II are false

(B) Both Statement I and Statement II are true

(C) Statement I is false and Statement II is true.

(D) Statement I is true and Statement II is false.

Explanation:

Business environment does include both specific and general forces, so Statement I is true. However, specific forces affect only a particular firm or a group of firms directly and immediately. General forces, on the other hand, impact all businesses and might affect an individual firm indirectly. Therefore, Statement II is false because it incorrectly states the effect of specific forces.

Question 5.

Which of the following statements are correct with respect to the benefits the organisation would get by imparting training to its employees ?

(i) Training equips the future manager who can take over in case of an emergency.

(ii) Training makes an employee more efficient to handle machines and thus, they are less prone to accidents.

(iii) Training increases the satisfaction and morale of the employees.

(iv) Training enhances employee productivity, both in terms of quantity and quality, leading to higher profits.

[1 Marks]

(A) (ii) and (iii)

(B) (i), (ii), (iii) and (iv)

(C) (i) and (iv)

(D) (i) and (ii)

Explanation:

All four statements are correct because training benefits an organisation in multiple ways: (i) It prepares employees for future managerial roles, ensuring continuity in case of emergencies. (ii) Training improves employees' efficiency in handling machines, which reduces accidents. (iii) It increases employee satisfaction and morale by enhancing their skills and confidence. (iv) Improved skills lead to higher productivity and better quality work, which in turn increases the organisation's profits.

Question 6.

Which of the following is not an advantage of divisional structure of an organisation ?

[1 Marks]

(A) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations.

(B) It helps in development of varied skills in the divisional head which prepares him for higher positions.

(C) It leads to minimal duplication of effort which results in economies of scale and lowers cost.

(D) It promotes flexibility and initiative, because each division functions as an autonomous unit, leading to faster decision making.

Explanation:

The divisional structure often leads to duplication of efforts because each division operates as a separate unit with its own resources. This can increase costs rather than lower them. In contrast, economies of scale are more commonly achieved in functional structures where resources are shared. The other options correctly describe advantages of the divisional structure such as facilitating

growth, helping develop varied skills in divisional heads, and promoting flexibility and faster decision making.

Question 7.

Which of the following consumer rights under Consumer Protection Act, 2019 gives the freedom to consumers to access a variety of products at competitive prices ?

[1 Marks]

(A) Right to be heard

(B) Right to consumer education

(C) Right to be assured

(D) Right to be informed

Explanation:

The Right to be assured under the Consumer Protection Act, 2019 ensures that consumers have the freedom to access a variety of products and services at competitive prices, guaranteeing protection against unfair trade practices and substandard goods. This right allows consumers to choose from a range of quality products available in the market.

Question 8.

'Gamma Ltd.', with its state-of-the-art manufacturing set-up in Karnesha, produces smartphones for the Indian market. Rapid technological improvements, changing consumer preferences and the entry of new competitors in the market push the company to revise its plans frequently. This reflects which characteristic of business environment ?

[1 Marks]

(A) Dynamic nature

(B) Relativity

(C) Complexity

(D) Inter-relatedness

Explanation:

The situation of Gamma Ltd. shows that the company has to frequently revise its plans due to rapid technological changes, changing consumer preferences, and new competitors entering the market. This indicates that the business environment is constantly changing and evolving, which is the characteristic known as the 'Dynamic nature' of the business environment.

Question 9.

'Radhe Textiles', a children's garment manufacturing business, and Ghanshyam Garments, a home furnishing manufacturing business operate in the same industrial area. Both companies jointly set up a common dyeing and finishing plant. This was because the scale of operations of each of them was not sufficient to make full use of the plant. With both of them jointly using the plant, the requirement of fixed capital for each company will now be :

[1 Marks]

(A) Same as earlier

(B) Lower than earlier

(C) Higher than earlier

(D) Ni

Explanation:

Since Radhe Textiles and Ghanshyam Garments are sharing a common dyeing and finishing plant, the fixed capital cost of setting up such a plant is now divided between the two companies. Earlier, each company would have needed to invest a larger amount individually to set up separate plants. By sharing the plant, they utilize the scale of operations better and reduce the fixed capital requirement for each company. So, the fixed capital for each company will be lower than earlier.

Question 10.

'RAVL' is a company manufacturing LED bulbs. To ensure efficiency in production, the workers are given monthly targets. For the month of October 2025, the workers were given a target to produce 8,000 bulbs. At the end of the month, it was found that actual production was only 6,000 bulbs. After investigation, it was found that the target was not met due to shortage of trained workers. To resolve the problem, the Production Manager arranged training programmes for workers and also hired additional workers.

Which step of the controlling process was followed by the Production Manager to resolve the problem of shortage of trained workers ?

[1 Marks]

(A) Setting performance standards

(B) Measurement of actual performance

(C) Comparing actual performance with standards

(D) Taking corrective action

Explanation:

Taking corrective action is the step in the controlling process where the manager identifies the reasons for deviation from the standards and implements measures to correct the shortcomings. In this case, the Production Manager took corrective steps by arranging training programmes and hiring additional workers to address the shortage of trained workers and improve production.

Question 11.

Which of the following is not a limitation of internal sources of recruitment ?

[1 Marks]

(A) It reduces the scope of induction of fresh talent in the organization.

(B) The employees may become lethargic if they are sure of time-bound promotions.

(C) It may lead to dissatisfaction and frustration among existing employees as they may feel that their chances of promotion are reduced.

(D) The spirit of competition among the employees may be hampered.

Explanation:

The option "It may lead to dissatisfaction and frustration among existing employees as they may feel that their chances of promotion are reduced" is incorrect as a limitation because internal recruitment typically improves employee morale by providing promotion opportunities within the organization. The other options correctly state limitations: reducing fresh talent induction, employees becoming lethargic if promotions are time-bound, and hampering competition among employees.

Question 12.

‘A manager motivates and leads his team in such a manager that individual members are able to achieve personal goals while contributing to the organisational objective.’

The point of importance of management highlighted above is :

[1 Marks]

(A) Management helps in achieving group goals

(B) Management helps in achieving personal objectives

(C) Management helps in increasing efficiency

(D) Management helps in the development of society

Explanation:

The statement highlights that through motivation and leadership, individual members achieve their personal goals while simultaneously contributing to the organizational objectives. This shows that management plays a crucial role in helping individuals fulfill their personal objectives in alignment with group or organizational goals.

Question 13.

Match the step of the process of organising given in Column-I with its explanation given in Column-II : Choose the correct option from the following :

[1 Marks]

	Column-I		*Column-II*
1.	Departmentalisation	(i)	Each individual is told who he has to take orders from and to whom he is accountable
2.	Establishing authority and reporting relationships	(ii)	The work is divided into manageable activities so that duplication can be avoided and burden of work can be shared among the employees
3.	Identification and division of work	(iii)	Work of different job positions is defined and work allocated to various employees in accordance with their skills and competencies
4.	Assignment of duties	(iv)	Activities of a similar nature are grouped together, which facilitates specialization

(A) 1-(i), 2-(ii), 3-(iii), 4-(iv)

(B) 1-(ii), 2-(iii), 3-(i), 4-(iv)

(C) 1-(iv), 2-(i), 3-(iii), 4-(ii)

(D) 1-(iv), 2-(i), 3-(ii), 4-(iii)

Explanation:

The correct matching is **1-iv, 2-i, 3-ii, 4-iii** because departmentalisation groups similar activities, authority relationships define reporting lines, division of work breaks work into manageable tasks, and assignment of duties allocates jobs according to employees' skills and competencies.

Question 14.

The market where existing securities are traded is known as :

[1 Marks]

(A) Secondary Market

(B) Money Market

(C) Primary Market

(D) Both Primary and Secondary Market

Explanation:

The Secondary Market is the market where existing securities are traded among investors. It allows investors to buy and sell shares after they have been issued in the Primary Market. This market provides liquidity and enables price discovery for securities already issued. The Primary Market, on the other hand, deals with the issuance of new securities. The Money Market involves short-term debt instruments, not trading of existing securities. Therefore, the correct answer is Secondary Market.

Question 15.

The number of times earnings before interest and taxes of a company cover the interest obligation is referred to as :

[1 Marks]

(A) Debt-Service Coverage Ratio

(B) Interest Coverage Ratio

(C) Capital structure

(D) Financial leverage

Explanation:

Interest Coverage Ratio measures how many times a company's earnings before interest and taxes (EBIT) can cover its interest expenses. It indicates the company's ability to meet interest payments on its debt. This ratio is calculated by dividing EBIT by the interest expense.

Question 16.

Read the following statements : Assertion (A) and Reason (R).

Assertion (A) : Workload analysis and workforce analysis are important to understand the manpower requirements.

Reason (R) : It helps the organization to know whether it is overstaffed, understaffed or optimally staffed. Choose the correct alternative from the following :

[1 Marks]

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(B) Assertion (A) is true, but Reason (R) is false.

(C) Assertion (A) is false, but Reason (R) is true.

(D) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

Explanation:

Workload analysis assesses the amount of work to be done, and workforce analysis examines the current manpower available. Together, they help an organization understand its manpower needs accurately. This process allows the organization to determine if it is overstaffed (too many employees), understaffed (too few employees), or optimally staffed (right number of employees), ensuring effective workforce planning.

Question 17.

Read the following statements carefully :

Statement I : Higher fixed operating costs result in higher business risk.

Statement II : If the firm's business risk is lower, the firm's capacity to use debt is higher. In light of the given statements, choose the correct alternative from the following :

[1 Marks]

(A) Both Statement I and Statement II are true.

(B) Statement I is false and Statement II is true.

(C) Both Statement I and Statement II are false.

(D) Statement I is true and Statement II is false.

Explanation:

Higher fixed operating costs increase the business risk because these costs must be paid regardless of sales volume, leading to greater risk of losses when sales decline. When a firm's business risk is lower, it implies more stable operating income, thus the firm can safely take on more debt (financial leverage) without risking bankruptcy. Therefore, both Statement I and Statement II are correct.

Question 18.

Shikha, a first-time investor, was excited yet nervous about investing in the stock market as she felt it was risky. She sought guidance from her friend, Rama, who was an experienced investor. Rama

assured Shikha that it is safe to invest in the stock market as the membership of stock exchange is regulated by Securities and Exchange Board of India (SEBI). She also told Shikha that SEBI performs various functions to protect the rights and interests of investors.

Which of the following functions mentioned by Rama is not a protective function of SEBI ?

[1 Marks]

(A) Conducting research and publishing information useful to all market participants

(B) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging, etc.

(C) Controlling insider trading and imposing penalties for such practices.

(D) Promotion of fair practices and code of conduct in the securities market.

Explanation:

SEBI's primary protective functions include prohibiting fraudulent and unfair trade practices, controlling insider trading, and promoting fair practices and code of conduct in the securities market. Conducting research and publishing information is more of a developmental or supportive function rather than a direct protective role aimed at safeguarding investors' interests.

Question 19. 'Bright Appliances Ltd.' plans to launch a new product line of energy-efficient air purifiers. To ensure a smooth launch of the air purifiers, the company needs to arrange adequate funds. For this, the Finance Manager estimates the fund requirements and specifies the source of funds the company should use. The process followed by the Finance Manager is called :

[1 Marks]

(A) Financial management

(B) Financial planning

(C) Investment decision

(D) Financial leverage

Explanation: Financial planning is the process in which the Finance Manager estimates the fund requirements and decides the sources from which the funds will be arranged to meet the company's objectives. In this case, arranging adequate funds for the new product launch is a classic example of financial planning.

Question 20.

'Sumi', a well-established domestic car manufacturer, anticipates entry of a premium foreign automobile brand in the country. The management of the company foresees a decline in the market

share, especially in the premium segment. To retain its market share and stay competitive, the company launches aggressive advertising and takes measures to reduce the cost of production. It further invests in improving product quality, introducing new features and aligning their cars with international standards. The point of importance of business environment described above is :

[1 Marks]

(A) It helps in tapping useful resources.

(B) It helps in coping with rapid changes.

(C) It enables a firm to identify opportunities and getting the first mover advantage.

(D) It helps the firm to identify threats and early warning signals

Explanation:

The scenario describes how 'Sumi' responds proactively to changes in the business environment, such as the entry of a new competitor and shifting market conditions. The company's actions of aggressive advertising, cost reduction, and product improvement are ways to cope with rapid changes in the competitive environment, ensuring that it stays relevant and competitive. Hence, the most appropriate point is that business environment helps in coping with rapid changes.

Question 21.

From the picture given below, identify the responsibility that the consumer is fulfilling while purchasing ‘Ready-to-Eat Pasta’

[1 Marks]



(A) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.

(B) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.

(C) Ask for a cash memo on purchase of goods or services.

(D) Assert yourself to ensure that you get a fair deal.

Explanation:

When purchasing a packaged product like 'Ready-to-Eat Pasta', the consumer fulfills their responsibility by reading the labels carefully. This helps them gather important information such as price, net weight, manufacturing date, and expiry date. By doing this, consumers ensure they make an informed and safe choice, which is a key consumer responsibility.

Section B

Question 22.

Aditi purchased a high speed blender from an online retailer for ₹ 2,000. When she used it to prepare soup, it made a loud noise. It also failed to blend properly and emitted an unusual smell. She first contacted the online retailer through their toll-free helpline.

They told her that they were responsible only for selling the blender and were not responsible for defects. Aditi then collected all relevant proofs such as the invoice and records of her communication etc. Then she contacted the customer service team of the manufacturer. The technical team inspected the blender and confirmed that the motor was defective. Despite this, the manufacturer neither replaced the blender, nor refunded her money. They stopped responding to Aditi's calls. Aditi was frustrated and filed a complaint against the manufacturer in the appropriate consumer court.

State any three reliefs available to Aditi if the consumer court is satisfied about the defect in the high speed blender.

[3 Marks]

Answer: Reliefs available to Aditi from the consumer court are:
1. Replacement of the defective blender with a new one free of cost.
2. Full refund of the amount paid for the blender, that is ₹ 2,000.
3. Compensation for any loss or mental agony suffered due to the defective product and poor service.

Explanation: Since the blender has a manufacturing defect and the manufacturer refused to replace or refund, Aditi can get relief as per consumer protection laws. The court can order the manufacturer to replace the product, refund the money, or pay compensation. This protects consumers against defective goods and unfair trade practices.

> **Key Points: Replacement of defective product - Refund of amount paid - Compensation for loss or mental agony**

Question 23.

'KUL', an eco-friendly stationery brand is expanding its business in three different markets. For this, it uses different promotional strategies in each market. In the corporate gifting market.

the company appoints salespersons to contact prospective corporate clients and create awareness about its eco-friendly stationery with the aim of making a sale. In the international market, the company focuses on managing public opinion and building a positive image for its product. It disseminates information and builds goodwill about the business. In the domestic retail market, the company offers cash discounts, free gifts, etc. to encourage the buyers to make immediate purchase of its product.

Identify and state three different promotion tools used by 'KUL' to expand its business in each of the markets.

[3 Marks]

Answer: (a) **Corporate Gifting Market:** The company uses personal selling as a promotional tool by appointing salespersons to directly contact prospective corporate clients and create awareness about its eco-friendly stationery. Personal selling helps in building direct relationships and convincing clients to make a purchase.
(b) **International Market:** The company employs public relations as a promotional tool. It manages public opinion, builds a positive image, and disseminates information to create goodwill about its products. This helps the business to establish trust and reputation internationally.
(c) **Domestic Retail Market:** The company uses sales promotion as a tool by offering cash discounts, free gifts, and other incentives to encourage buyers to make immediate purchases. Sales promotion helps increase short-term sales and attract customers quickly.

> **Key Points: Personal Selling in corporate gifting market - Public Relations in international market - Sales Promotion in domestic retail market**

Question 24.

Explain the following functions of Marketing :

(i) Marketing planning

(ii) Customer support services

[3 Marks]

Answer: (i) **Marketing planning** involves identifying the target market and deciding on the marketing mix to meet customer needs effectively. It includes setting marketing objectives, analyzing market trends, planning product development, pricing strategies, promotional activities, and distribution channels to achieve business goals.
(ii) **Customer support services** provide assistance to customers before, during, and after purchasing

a product or service. It helps in resolving customer issues, answering queries, offering technical support, and ensuring customer satisfaction which builds loyalty and improves the companys reputation.

Key Points: Marketing planning involves target market identification and marketing mix decisions - Customer support services assist customers throughout their buying journey - Both functions aim to satisfy customers and achieve business success

Question 25.

Explain the following factors which affect the fixation of price of a product :

(i) Extent of competition in the market

(ii) Marketing methods used

[3 Marks]

Answer: (i) Extent of competition in the market: The level of competition directly affects the price of a product. If there is high competition with many sellers offering similar products, the price tends to be lower to attract customers. However, if there is less competition or a monopoly, the seller can fix higher prices as customers have fewer alternatives.
(ii) Marketing methods used: Different marketing strategies impact the cost structure and the perceived value of a product. Expensive promotional campaigns, attractive packaging, and wide distribution can increase the product's cost, which may lead to a higher price. Also, effective marketing can create demand and justify premium pricing.

Key Points: Competition level affects price - High competition usually lowers price - Less competition allows higher price - Marketing strategies influence cost - Advertising and packaging add to cost - Effective marketing can increase demand and price

Question 26.

Distinguish between Capital Market and Money Market on the following basis :

(i) Investment outlay

(ii) Duration

(iii) Safety

[3 Marks]

Answer: (i) **Investment outlay:** In the Capital Market, the investment outlay is generally larger as it deals with long-term securities like shares and debentures. In the Money Market, the investment outlay is smaller since it involves short-term instruments like treasury bills and commercial papers.

(ii) **Duration:** Capital Market deals with long-term funds usually more than one year. Money Market deals with short-term funds, typically up to one year.
(iii) **Safety:** Money Market instruments are considered safer as they involve low-risk short-term debts. Capital Market investments may carry higher risk as they depend on company performance and market conditions.

> **Key Points: Investment outlay: Capital Market - large, Money Market - small - Duration: Capital Market - long-term, Money Market - short-term - Safety: Money Market is safer, Capital Market has higher risk**

Question 27.

Give any three differences between Primary Market and Secondary Market

[3 Marks]

Answer: Differences between Primary Market and Secondary Market:
(a) **Definition:** Primary Market is where new securities are issued and sold to investors for the first time, while Secondary Market is where existing securities are traded among investors.
(b) **Participants:** In Primary Market, the company issuing securities and investors participate, whereas in Secondary Market, investors buy and sell securities among themselves.
(c) **Purpose:** The Primary Market helps companies raise fresh capital, but the Secondary Market provides liquidity and opportunity to investors to trade securities after the initial issue.

> **Key Points: Primary Market is for new securities issuance - Secondary Market is for trading existing securities - Primary Market raises capital for companies - Secondary Market provides liquidity to investors**

Section C

Question 28.

'GW Textiles' was facing rising competition, inefficiencies on the shop floor and declining revenues. To address these problems, Leena was appointed as the new Factory Manager. In the first few weeks, Leena walked around the factory and watched how work was actually being done. She noticed that some workers were sincere and focused, while others showed little interest and avoided responsibility. To overcome this problem Leena began spending time on the shop floor every week, interacting closely with the workers and was able to make them act in the desired manner to achieve organisational goals. Her approach helped create a positive work environment where employees felt encouraged to perform better, leading to improved efficiency on the shop floor and improved revenues.

(i) Identify the element of directing highlighted in the above case.

(ii) State any three features of the element identified in (i) above.

[4 Marks]

Answer: (i) The element of directing highlighted in the above case is "Motivation."
(ii) Features of Motivation are:
1. Motivation is the process that stimulates and encourages employees to act in a certain way to achieve organisational goals.
2. It helps in improving employee performance and productivity.
3. Motivation can be both monetary and non-monetary, such as recognition, praise, or better work environment.
In the case, Leena motivated the workers by spending time with them and encouraging them, leading to better performance and efficiency.

> **Key Points: Motivation drives employees to act - Improves performance and productivity - Can be monetary or non-monetary**

Question 29.

Rahul, Priya, Amit and Sneha were friends. They decided to start a business jointly. With rising focus on hydration, fitness and a healthy lifestyle, they saw a steady market for water bottles. Customers often own multiple bottles for different uses. Bottles wear out or go out of style over time, creating repeat sales opportunities. Excited by this idea, they all sat together to brainstorm and decide what kind of water bottle they should make.

Rahul believed that to maximise profits, production should be done on a large scale making goods available and affordable to consumers.

Amit, on the other hand, was of the opinion that the bottles should be of a very good quality with features like time markers, filters or infusers, etc. Priya agreed with Amit, but felt that they should first identify the needs of the present and prospective buyers, so that they can satisfy them in an effective way. She suggested offering personalised designs, sports bottles, insulated bottles, etc., depending on the customers' needs.

Sneha believed that the business orientation should not be short-sighted to serve only the consumers' needs. It should also consider larger issues of long-term social welfare. So, she suggested reusable water bottles made from eco-friendly sustainable materials.

Identify and state the marketing management philosophies discussed by Rahul, Priya, Amit and Sneha

[4 Marks]

Answer: (a) Rahul's philosophy is the Production Concept which focuses on large-scale production and affordability to make products widely available.
(b) Amit's philosophy is the Product Concept that emphasises offering high quality products with special features to attract customers.
(c) Priya follows the Marketing Concept which is about identifying and satisfying the needs and wants of customers effectively through products like personalised and insulated bottles.
(d) Sneha adopts the Societal Marketing Concept which considers not only consumer needs but also social welfare by promoting eco-friendly reusable bottles made from sustainable materials.

> **Key Points: Production Concept - Product Concept - Marketing Concept - Societal Marketing Concept**

Question 30.

State any four psychological barriers to communication.

[4 Marks]

Answer: Psychological barriers to communication are mental or emotional factors that hinder effective communication. Four common psychological barriers are:
1. Prejudice: When a person has preconceived opinions or biases, it affects how they receive and interpret messages.
2. Distrust: Lack of trust between communicators can cause information to be misunderstood or ignored.
3. Emotional State: Feelings such as anger, sadness, or anxiety can prevent clear thinking and proper communication.
4. Stereotyping: Assuming things about people based on their background or appearance can lead to miscommunication.

> **Key Points: Prejudice - Distrust - Emotional State - Stereotyping**

Question 31.

State any four points of importance of staffing function of management.

[4 Marks]

Answer: Staffing is an important function of management due to the following reasons:
(1) Right People in Right Jobs: Staffing ensures that the right people with suitable skills and qualifications are placed in the right positions, which increases efficiency.
(2) Helps in Achieving Goals: Proper staffing helps the organization achieve its objectives by providing competent employees.
(3) Reduces Turnover: Effective staffing reduces employee turnover by placing suitable candidates, leading to job satisfaction.

(4) Promotes Development: Staffing involves training and development, which enhances employee skills for future growth.

> **Key Points: Right people in right jobs - Helps in achieving organizational goals - Reduces employee turnover - Promotes employee development**

Question 32.

'Staple Foods Ltd.', a packaged food company is planning to expand its operations. To meet growing manpower needs, it adopts different external sources of recruitment for different levels of employees by balancing cost, time and quality in talent acquisition across organisational levels.

For positions requiring high trust and confidentiality, the company prefers applicants introduced by existing senior employees. For specialised technical and professional roles like Marketing Head, Operations Manager, etc., it contacts private agencies and professional bodies. These agencies are able to access a wider talent pool as they compile bio-data of a large number of candidates and recommend suitable names to their clients. For casual vacancies of unskilled or semi-skilled jobs, they post job vacancies on the company's notice board to attract local candidates. Job seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot. 'Staple Foods Ltd.' also maintains a record of unsolicited job applications and contacts suitable candidates from this pool whenever vacancies arise.

State the external sources of recruitment used by 'Staple Foods Ltd.' for recruitment of people at various organisational levels.

[4 Marks]

Answer: The external sources of recruitment used by Staple Foods Ltd. are:
1. Employee Referrals: For positions requiring high trust and confidentiality, the company prefers applicants introduced by existing senior employees.
2. Private Agencies and Professional Bodies: For specialised technical and professional roles like Marketing Head and Operations Manager, the company contacts private recruitment agencies and professional bodies as they provide access to a wider talent pool.
3. Notice Board Recruitment: For casual vacancies of unskilled or semi-skilled jobs, vacancies are posted on the company's notice board. Local candidates apply and selection is done on the spot.
4. Unsolicited Applications: The company maintains a record of unsolicited job applications and contacts suitable candidates from this pool whenever vacancies arise.
Thus, Staple Foods Ltd. uses a combination of employee referrals, private agencies, notice board advertisements, and unsolicited applications to recruit employees at various organisational levels effectively.

> **Key Points: Employee referrals - Private agencies and professional bodies - Notice board recruitment for casual labour - Unsolicited job applications**

Question 33.

Explain the following points of importance of controlling function of management :

(i) Accomplish organisational goals

(ii) Making efficient use of resources

[4 Marks]

Answer: (i) Accomplish organisational goals: Controlling helps in monitoring actual performance and comparing it with predetermined standards. If there are deviations, necessary corrective actions are taken timely. This ensures that organisational activities are aligned with goals and objectives, leading to successful achievement of goals.
(ii) Making efficient use of resources: Controlling ensures that resources like money, materials, manpower, and machines are used optimally. It prevents wastage and misuse of resources by setting standards and checking performance frequently, thus promoting efficiency in the organisation.

Key Points: Controls help achieve organisational goals by measuring and correcting performance - Controls ensure optimum utilization of resources by minimizing wastage - Timely corrective actions help in maintaining efficiency

Question 34.

Explain the following non-financial incentives :

(i) Status

(ii) Organisational climate

[4 Marks]

Answer: (i) Status: Status is the position or rank of an employee within an organization which determines the respect and importance given to him by others. It is a non-financial incentive as it motivates employees by enhancing their social prestige and self-esteem. Higher status often comes with more responsibilities and recognition.
(ii) Organisational climate: Organisational climate refers to the work environment and the overall atmosphere created by the organization. It includes factors like communication, leadership style, work culture, and employee relationships. A positive organisational climate encourages employees to perform better and feel satisfied, acting as a strong non-financial incentive.

Key Points: Status increases respect and recognition - Status motivates through social prestige - Organisational climate means work environment - Positive climate improves employee satisfaction - Good climate enhances motivation and performance

Question 35.

'Suruchi Textiles Ltd.' is a reputed textile manufacturing company with stable earnings. It has been paying regular dividends for the last seven years, which has helped it to build a loyal investor base. It has a large number of its shareholders who depend on regular income from their investment and therefore expect at least a minimum dividend every year. To meet these expectations and maintain shareholders confidence, the company has followed a high dividend policy.

During the current year, the company planned further expansion, which required additional funds. However, since a major portion of its earnings had been distributed as dividends in earlier years, the company had retained limited funds. But, since 'Suruchi Textiles Ltd.' had a strong reputation in the capital market, it was able to raise the required capital from the capital market to finance its expansion plans. Identify and explain four factors affecting the dividend decision discussed in the above case.

[4 Marks]

Answer: Factors affecting Dividend Decision:

(a) Stable Earnings: Suruchi Textiles Ltd. has stable earnings which support its ability to pay regular dividends. A company with stable profits can confidently declare dividends.

(b) Shareholders' Expectations: The company has many shareholders who depend on regular income and expect minimum dividend every year. To maintain shareholders' confidence, the company follows a high dividend policy.

(c) Expansion Plans: The company planned expansion requiring additional funds. This shows that the need for funds affects dividend decisions because money required for expansion might reduce dividend payout.

(d) Access to Capital Market: Since the company had limited retained earnings due to high dividend payout, it raised funds externally from the capital market. A strong reputation helps in raising capital, affecting the dividend policy choices.

Thus, earnings stability, shareholder expectations, future investment needs, and ability to raise external finance are key factors influencing the dividend decision of Suruchi Textiles Ltd.

> **Key Points: Stable earnings-Shareholders' expectations for regular income-Need for funds for expansion-Ability to raise funds from capital market**

Section D

Question 36.

'Global Tech Ltd.' was a multinational company that manufactured modern electronics devices and employed nearly 10,000 people from across the world. The company had a well-defined organisational structure with separate departments for finance, marketing and production. Every

department had its own objectives, policies and style of working. As each department performed its activities in isolation from others, conflicts arose within the organisation.

Further, due to complex technology involved in producing modern electronic devices, 'Global Tech Ltd.' relied heavily on specialists. The specialists were confident of their professional knowledge and often did not consider suggestions from others in matters pertaining to their area of specialisation. This resulted in conflict among different specialists and others in the organisation. As the company continued to grow, more employees from different backgrounds and work habits joined the organisation. The increasing size of workforce, along with departmental differences and dependence on specialists, made it difficult to ensure that everyone worked towards the same organisational goals. Therefore it became necessary for the management to harmonise individual goals with organisational goals and integrate the efforts of departments and specialists to achieve common objectives.

(i) Identify and state the concept which would help 'Global Tech Ltd.' in bringing together the efforts of employees and specialists to achieve common goals of the organisation.

(ii) Quoting lines from the given case, state any three points of importance of the concept identified in (i) above

[6 Marks]

Answer: (i) Concept Identified: The concept that would help Global Tech Ltd. bring together the efforts of employees and specialists to achieve common organisational goals is **Coordination**.

(ii) Importance of Coordination in Global Tech Ltd.:

1. Coordination helps in integrating the efforts of different departments like finance, marketing and production that have their own objectives and work styles but need to work together for the organisation's success. For example, "Every department had its own objectives, policies and style of working. As each department performed its activities in isolation from others, conflicts arose within the organisation." This shows the need to coordinate to avoid conflicts.
2. It ensures harmony among specialists who are confident of their own knowledge but may neglect suggestions from others leading to conflicts. The case states, "The specialists were confident of their professional knowledge and often did not consider suggestions from others in matters pertaining to their area of specialisation. This resulted in conflict among different specialists and others in the organisation." Coordination will reduce such conflicts.
3. With an increasing and diverse workforce, coordination helps ensure all employees work towards common organisational goals despite different backgrounds and work habits. The case mentions, "The increasing size of workforce, along with departmental differences and dependence on specialists, made it difficult to ensure that everyone worked towards the same organisational goals." Coordination will harmonise individual goals with organisational goals to achieve common objectives.

In conclusion, coordination is essential to integrate different parts of the organisation, avoiding conflicts and achieving unity and efficiency in reaching organisational goals.

Key Points: Coordination integrates efforts of departments - Coordination avoids conflicts among specialists - Coordination harmonises individual goals with organisational goals

Question 37.

'Kia Tyres' is a company manufacturing tyres for cars, two-wheelers, trucks and buses. It has a well-defined organisational structure designed by the management to facilitate smooth functioning of the organisation. It specifies the relationships among various job positions and the nature of their inter-relationship. It is easier to fix responsibility, since mutual relationships are clearly defined. There is no ambiguity in the role that each member has to play, as duties are specified. This also helps in avoiding duplication of work. As a result, 'Kia Tyres' is able to effectively accomplish its goals.

However, during lunch breaks and after office hours, employees from different departments of 'Kia Tyres' meet regularly. This helps to fulfil the social needs of employees and allows them to interact with like-minded people. This enhances their job satisfaction by giving them a sense of belongingness in the organisation.

(i) Identify the types of organisation discussed in the above and give their meaning.

(ii) State two advantages of each of the types of organisation identified in (i) above, not discussed in the given case.

[6 Marks]

Answer: (i) The two types of organisation discussed above are **Formal Organisation** and **Informal Organisation**.
Formal Organisation is a planned structure designed by the management which defines the roles, responsibilities and relationships between different job positions to achieve organisational goals effectively.
Informal Organisation is an unplanned organisation that emerges naturally among employees based on social interactions, friendships and common interests.

(ii) Advantages of Formal Organisation not discussed in the case:
- It helps in establishing clear authority and communication channels.
- It facilitates coordination among different departments and ensures discipline.

Advantages of Informal Organisation not discussed in the case:
- It helps in faster flow of information and sharing of work-related knowledge.
- It creates a support system among employees which can increase motivation and reduce work stress.

Key Points: Formal organisation definition - Informal organisation definition - Advantages of formal organisation - Advantages of informal organisation

Question 38.

Explain the following principles of management :

(i) Discipline

(ii) Unity of direction

(iii) Equity

[6 Marks]

Answer: (i) Discipline: Discipline means following rules, regulations and maintaining order in the organization. It is essential for smooth functioning and achieving goals. Discipline is enforced through proper supervision, clear instructions and fair punishment if rules are broken.
(ii) Unity of direction: Unity of direction means all activities that have the same objective should be directed by one manager using one plan. It ensures coordination and prevents wastage of efforts by aligning all efforts towards common goals.
(iii) Equity: Equity means fairness and justice in treatment of all employees. Managers should be kind and impartial to maintain harmony and motivation among workers. Equity builds trust and a positive work environment.

Key Points: Discipline ensures order and obedience - Unity of direction aligns efforts towards common goals - Equity ensures fairness and justice in treatment

Question 39.

Explain the following points of significance of principles of management :

(i) Providing managers with useful insights into reality

(ii) Scientific decisions

(iii) Meeting changing environment requirements

[6 Marks]

Answer: (i) Providing managers with useful insights into reality: Principles of management help managers understand the real situation of an organization by providing a clear framework. They offer guidelines and concepts which help managers analyze facts and situations effectively, making it easier to identify problems and opportunities.
(ii) Scientific decisions: By following principles of management, decisions are based on facts, analysis, and logical reasoning rather than intuition or guesswork. This leads to accurate and reliable

decisions that improve efficiency and effectiveness in the organization.
(iii) Meeting changing environment requirements: The environment in which businesses operate keeps changing due to technology, competition, and social factors. Principles of management help managers to adapt to these changes quickly and plan strategies accordingly to maintain the organization's growth and survival.

Key Points: Principles provide real insights to managers - Decisions become scientific and fact-based - Helps organizations adapt to changing environments

Question 40.

Explain the following limitations of planning :

(i) Planning leads to rigidity

(ii) Planning may not work in a dynamic environment

(iii) Planning involves huge costs

[6 Marks]

Answer: Limitations of Planning:
(i) Planning leads to rigidity: Planning can make organizations rigid because once a plan is made, people may strictly follow it without flexibility. This rigidity prevents adapting quickly to changes or new opportunities, which can harm the organization's progress.
(ii) Planning may not work in a dynamic environment: In a rapidly changing environment, plans may become obsolete quickly. Factors like market trends, technology, and customer preferences change fast, so sticking to old plans might cause failure. Organizations need to be more flexible in such cases.
(iii) Planning involves huge costs: Preparing detailed plans requires significant time, effort, and money. It involves collecting information, analyzing data, and sometimes hiring experts. For small organizations, these costs might be too high and may not guarantee success, making planning expensive.

Key Points: Planning causes inflexibility - Plans may be outdated in changing situations - Planning requires high time and money investment

Question 41.

Explain the following points of importance of planning :

(i) Planning facilitates decision-making

(ii) Planning establishes standards for controlling

(iii) Planning promotes innovative ideas

[6 Marks]

Answer: (a) **Planning facilitates decision-making:** Planning helps managers think about the future and decide the best course of action. It provides a clear framework and alternatives, making decision-making easier and more effective.

(b) **Planning establishes standards for controlling:** Planning sets specific goals and benchmarks. These standards allow managers to measure actual performance against planned targets, making it easier to control activities and ensure objectives are met.

(c) **Planning promotes innovative ideas:** While preparing plans, managers analyze different possibilities and look for new methods. This encourages creativity and innovation, leading to better solutions and improvements in the organization.

Key Points: Facilitates decision-making - Establishes standards for controlling - Promotes innovative ideas